

*INTEGRATED LAW AND JUSTICE  
AGENCY FOR ORANGE COUNTY*

*JUNE 30, 2011*

***Financial Statements***

**WHITE NELSON DIEHL EVANS LLP**  
Certified Public Accountants & Consultants



**INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY**

**BASIC FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2011**

# INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Integrated Law and Justice  
Agency for Orange County  
Newport Beach, California

We have audited the financial statements of the governmental activities and each major fund of the Integrated Law and Justice Agency for Orange County (the Agency), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1H the Agency has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.



In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2012 on our consideration of the Integrated Law and Justice Agency for Orange County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison schedules and related note, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The schedule of revenues, expenditures and changes in fund balance - budget and actual - Replacement Capital Projects Fund, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*White Nelson Dick Evans LLP*

Irvine, California  
February 22, 2012

**BASIC FINANCIAL STATEMENTS  
(GOVERNMENT-WIDE)**

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
ASSETS:	
Cash and investments (Note 2)	\$ 2,129,166
Intergovernmental receivables	69,396
Prepaid items	56,997
Capital assets, being depreciated (Note 3)	<u>2,027,555</u>
TOTAL ASSETS	<u>4,283,114</u>
LIABILITIES:	
Accounts payable	375,087
Accrued liabilities	<u>26,158</u>
TOTAL LIABILITIES	<u>401,245</u>
NET ASSETS:	
Invested in capital assets	2,027,555
Unrestricted	<u>1,854,314</u>
TOTAL NET ASSETS	<u>\$ 3,881,869</u>

See independent auditors' report and notes to basic financial statements.



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Public safety	\$ 959,980	\$ -	\$ 51,896	\$ -	\$ (908,084)
Total governmental activities	<u>\$ 959,980</u>	<u>\$ -</u>	<u>\$ 51,896</u>	<u>\$ -</u>	<u>(908,084)</u>
GENERAL REVENUES:					
Member contributions					883,305
Investment earnings					29,767
Other income					<u>6,691</u>
Total general revenues					<u>919,763</u>
CHANGE IN NET ASSETS					11,679
NET ASSETS AT BEGINNING OF YEAR					<u>3,870,190</u>
NET ASSETS AT END OF YEAR					<u>\$ 3,881,869</u>

See independent auditors' report and notes to basic financial statements.

**FUND FINANCIAL STATEMENTS  
(GOVERNMENTAL FUND)**

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Grants Special Revenue Fund	Replacement Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 274,900	\$ 111,599	\$ 1,742,667	\$ 2,129,166
Intergovernmental receivables	-	69,396	-	69,396
Prepaid items	950	-	-	950
<b>TOTAL ASSETS</b>	<u>\$ 275,850</u>	<u>\$ 180,995</u>	<u>\$ 1,742,667</u>	<u>\$ 2,199,512</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 23,841	\$ 180,995	\$ 170,251	\$ 375,087
Accrued liabilities	26,158	-	-	26,158
Deferred revenue	-	51,396	-	51,396
<b>TOTAL LIABILITIES</b>	<u>49,999</u>	<u>232,391</u>	<u>170,251</u>	<u>452,641</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepaid items	950	-	-	950
Committed:				
Enhancements	-	-	119,562	119,562
Assigned:				
Enhancements	-	-	123,011	123,011
Replacements	-	-	653,575	653,575
Capital reserves	-	-	676,268	676,268
Unassigned:				
General fund	224,901	-	-	224,901
Special revenue fund	-	(51,396)	-	(51,396)
<b>TOTAL FUND BALANCES</b>	<u>225,851</u>	<u>(51,396)</u>	<u>1,572,416</u>	<u>1,746,871</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 275,850</u>	<u>\$ 180,995</u>	<u>\$ 1,742,667</u>	<u>\$ 2,199,512</u>

See independent auditors' report and notes to basic financial statements.



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Fund balances for governmental funds	\$ 1,746,871
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds:

Capital assets, being depreciated	\$ 4,819,002	
Less: accumulated depreciation	<u>(2,791,447)</u>	
		2,027,555

Deferred revenues are recognized on the governmental fund balance  
sheet for certain revenues which do not meet the criteria for availability,  
and are thus deferred under modified accrual basis. This criteria is not  
applicable on the Statement of Net Assets.

51,396

Certain items were recorded as expenditures in the fund statements under  
the current financial resources measurement focus, but are reported as  
assets in the Statement of Net Assets under the economic resources  
measurement focus.

Prepaid items	<u>56,047</u>
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Net assets of governmental activities	<u><u>\$ 3,881,869</u></u>
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See independent auditors' report and notes to basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	General Fund	Grants Special Revenue Fund	Replacement Capital Projects Fund	Total Governmental Funds
REVENUES:				
Intergovernmental	\$ -	\$ 88,648	\$ -	\$ 88,648
Investment earnings	8,051	-	21,716	29,767
Other income	-	-	6,691	6,691
Contributions from member agencies	571,193	-	312,112	883,305
TOTAL REVENUES	579,244	88,648	340,519	1,008,411
EXPENDITURES:				
Current:				
Public safety:				
Administration	132,508	-	-	132,508
Insurance	10,836	-	-	10,836
Professional services	27,200	51,896	207,439	286,535
Operating expenses	287,023	-	-	287,023
Supplies	131	-	-	131
Travel and meetings	3,066	-	-	3,066
TOTAL EXPENDITURES	460,764	51,896	207,439	720,099
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	118,480	36,752	133,080	288,312
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	237,464	237,464
Transfers out	(237,464)	-	-	(237,464)
TOTAL OTHER FINANCING SOURCES (USES)	(237,464)	-	237,464	-
NET CHANGE IN FUND BALANCES	(118,984)	36,752	370,544	288,312
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	344,835	(88,148)	1,201,872	1,458,559
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 225,851	\$ (51,396)	\$ 1,572,416	\$ 1,746,871

See independent auditors' report and notes to basic financial statements.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Net change in fund balances - total governmental funds	\$	288,312
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds reported capital outlay as expenditures. However,  
in the Statement of Activities, the cost of these assets are allocated  
over their estimated useful lives as depreciation expense. These are  
the amounts by which capital outlay exceed depreciation in the  
current period.

Capital expenditures	\$	362,329	
Depreciation of capital assets		<u>(637,454)</u>	(275,125)

Some revenues reported in the Statement of Activities do not increase current financial resources and therefore, are not reported as revenues in governmental funds.		(36,752)
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Some expenses reported in the Statement of Activities do not require  
the use of current financial resources and are not reported as  
governmental fund expenditures:

Prepaid items		<u>35,244</u>	
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Change in net assets of governmental activities	\$	<u><u>11,679</u></u>
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See independent auditors' report and notes to basic financial statements.



# INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

### 1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Integrated Law and Justice Agency for Orange County (the Agency) conform to accounting principles generally accepted in the United States of America for local governmental units. The following is a summary of the significant policies.

#### A. Description of the Reporting Entity:

The Agency currently operates as a joint venture consisting of the following entities, collectively referred to as "Member Agencies":

Newport Beach	Fullerton	Placentia
Anaheim	Garden Grove	Santa Ana
Brea	Irvine	Seal Beach
Buena Park	Huntington Beach	Superior Court of California
Costa Mesa	La Habra	County of Orange
Cypress	La Palma	Tustin
Fountain Valley	Laguna Beach	Westminster
Los Alamitos	Orange	University of California, Irvine, Police Department

The purpose of the Agency is to facilitate the integration and sharing of criminal justice information and data among the member agencies. The Agency is intended to provide criminal and law enforcement officials who have the need and right to know, with comprehensive, timely, and accurate information about a criminal suspect or offender, including identity, criminal history, and current justice status.

#### B. Measurement Focus and Basis of Accounting:

The *basic financial statements* of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

See independent auditors' report.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

**Government-wide Financial Statements**

Government-wide financial statements display information about the Agency as a whole. All activities of the Agency are classified as governmental activities. Government-wide financial statements are presented using the *economic resources measurement* focus and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized assets in the government-wide financial statements, rather than reported as expenditure.

**Fund Financial Statements**

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Agency's governmental funds are presented after the government-wide financial statements. These statements display information about governmental major funds individually.

See independent auditors' report.



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus and Basis of Accounting (Continued):

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified-accrual* basis of accounting. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency generally considers revenues collected within sixty days after the fiscal year-end to be available.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

See independent auditors' report.



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Fund Classification:

The accounting records of the Agency are organized on the basis of funds. The following funds have been classified as major governmental funds:

General Fund - The General Fund is the general operating fund of the Agency, all general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and other costs which are not paid through other funds.

Grants Special Revenue Fund - The Grants Special Revenue Fund is used to account for financial resources received from grantor agencies, as well as financial resources segregated for major capital acquisitions.

Replacement Capital Projects Fund - The Replacement Capital Projects Fund is used to account for financial resources received from member agencies which have been designated for future replacement of capital assets used by the Agency.

D. Cash and Investments:

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

E. Intergovernmental Receivables:

Amounts shown as intergovernmental receivables represent billings to other parties for services rendered during the year which had not been collected as of the balance sheet date.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Capital Assets:

Capital assets are recorded at historical cost at the time of purchase. Assets acquired from gifts of contributions are recorded at fair market value on the date received. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of 3 years or more. The Agency has adopted GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. Computer software is a common type of intangible asset that is often internally generated. Internally generated computer software includes software developed in-house by the government's personnel or by a third-party contractor on behalf of the government, or commercially available software that is modified using more than minimal incremental effort before being put into operation. Outlays incurred related to an internally generated intangible asset that is identifiable are capitalized only upon the occurrence of all of the following:

1. Determination that an objective for the project is to create a specific internally generated intangible asset.
2. Determination of the nature of the service capacity that is expected to be provided by the asset upon its completion.
3. Demonstration of the technical or technological feasibility for completing the project so that the asset will provide its expected service capacity.
4. Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Outlays related to the creation of an internally generated intangible asset incurred prior to meeting these criteria are expensed as incurred.

Capital assets used in operations are depreciated in the government-wide financial statements. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and charged to operations:

Computer hardware equipment	4 years
Software	7 years

G. Member Contributions:

Contribution revenues received from member agencies represent amounts billed to other public service agencies contracting with the Agency for law enforcement support services.

See independent auditors' report.



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Governmental Fund Balance Classifications:

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned Fund Balance - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. For the Replacement Capital Projects Fund, \$123,011 represents fund balance assigned for system enhancements, \$653,575 assigned for system replacements, while the remaining \$676,268 represents unallocated fund balance identified as capital reserves.

Unassigned Fund Balance - This classification includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

See independent auditors' report.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Governmental Fund Balance Classifications (Continued):

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the Agency's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

During the year ended June 30, 2011, the Agency implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which clarified the existing governmental fund types. Under the new governmental fund type definitions, two of the Agency's funds no longer met the criteria to be presented as special revenue funds. The beginning fund balances have been restated as follows:

	As Previously Reported	Reclassification of Fund Type	As Restated
General Fund	\$ -	\$ 344,835	\$ 344,835
Special Revenue Funds:			
Operating Fund	344,835	(344,835)	-
Grants Fund	(88,148)	-	(88,148)
Replacement Fund	1,201,872	(1,201,872)	-
Capital Projects Fund:			
Replacement Fund	-	1,201,872	1,201,872
	<u>\$ 1,458,559</u>	<u>\$ -</u>	<u>\$ 1,458,559</u>

I. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

See independent auditors' report.



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS:

**Cash and Investments**

Cash and investments at June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments \$ 2,129,166

Cash and investments at June 30, 2011 consisted of the following:

Investments \$ 2,129,166

**Investments Authorized by the California Government Code**

The Agency's cash and investments are maintained in an investment pool managed by the City of Newport Beach. The Agency is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Newport Beach. The Agency has not adopted an investment policy separate from that of the City of Newport Beach. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Newport Beach manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Newport Beach is provided by disclosures in the notes to the basic financial statements of the City of Newport Beach's Comprehensive Annual Financial Report that shows the distribution of the City's investments by maturity. The Agency's investment of \$2,129,166 in the City of Newport Beach's investment pool has a maturity date of 12 months or less.

See independent auditors' report.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Minimum ratings required by (where applicable) the California Government Code and the City of Newport Beach's Investment Policy and the actual ratings as of year-end for each investment type are provided by disclosures in the notes to the basic financial statements of the City of Newport Beach's Comprehensive Annual Financial Report. The Agency's investment of \$2,129,166 in the City of Newport Beach's investment pool is not required to be rated.

**Concentration of Credit Risk**

Investments in anyone issuer (other than US. Treasury securities, mutual funds and investment pools) that represent 5% or more of total investments for the entire entity (or for each separate major fund or for other governmental funds in the aggregate) are disclosed in the notes to the basic financial statements of the City of Newport Beach's Comprehensive Annual Financial Report.

**Custodial Credit Risk**

The Agency does not have any significant certificates of deposit or demand accounts that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The Agency does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

**Subsequent Transfer**

The City of Newport Beach served as the Treasurer for the Agency in fiscal year June 30, 2011. As of July 1, 2011, the City of Brea took the roll of Treasurer, which required the cash funds to be transferred. By December 16, 2011, the City of Newport Beach remitted all funds to the City of Brea by (a) transferring \$1,749,798 of cash and (b) paying an Agency invoice totaling \$47,519. The difference between the total cash remitted, the invoice paid, and the Agency's cash balance at June 30, 2011 consists of the net effect of receivables and payables due at June 30, 2011. All Agency funds have been transferred by the City of Newport Beach to the City of Brea.

See independent auditors' report.

# INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

### 3. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2011 is as follows:

<b>Governmental Activities:</b>	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, being depreciated:				
Equipment and software	\$ 4,456,673	\$ 362,329	\$ -	\$ 4,819,002
Less accumulated depreciation for:				
Equipment and software	(2,153,993)	(637,454)	-	(2,791,447)
Governmental activities capital assets, net	<u>\$ 2,302,680</u>	<u>\$ (275,125)</u>	<u>\$ -</u>	<u>\$ 2,027,555</u>

Depreciation expense of \$637,454 was charged to public safety for the year ended June 30, 2011.

### 4. INTERFUND TRANSFERS:

#### Interfund Transfers

<u>Transfer In to Fund</u>	<u>Transfers Out of Fund</u>	<u>Amount</u>
Replacement Capital Projects Fund	General Fund	<u>\$ 237,464</u>

As per the fiscal policy, the amount transferred represents the remaining balance upon meeting the Rate Stabilization Reserve in the General Fund.

See independent auditors' report.

## **REQUIRED SUPPLEMENTARY INFORMATION**



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ 1,923	\$ 1,923	\$ 8,051	\$ 6,128
Contributions from member agencies	571,192	571,192	571,193	1
<b>TOTAL REVENUES</b>	<b>573,115</b>	<b>573,115</b>	<b>579,244</b>	<b>6,129</b>
EXPENDITURES:				
Current:				
Public safety:				
Administration	138,195	138,195	132,508	5,687
Insurance	11,550	11,550	10,836	714
Professional services	126,790	169,355	27,200	142,155
Operating expenses	411,414	418,261	287,023	131,238
Supplies	525	525	131	394
Travel and meetings	2,717	2,717	3,066	(349)
<b>TOTAL EXPENDITURES</b>	<b>691,191</b>	<b>740,603</b>	<b>460,764</b>	<b>279,839</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(118,076)</b>	<b>(167,488)</b>	<b>118,480</b>	<b>(273,710)</b>
OTHER FINANCING USES:				
Transfers out	-	-	(237,464)	(237,464)
<b>TOTAL OTHER FINANCING USES</b>	<b>-</b>	<b>-</b>	<b>(237,464)</b>	<b>(237,464)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(118,076)</b>	<b>(167,488)</b>	<b>(118,984)</b>	<b>(511,174)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>344,835</b>	<b>344,835</b>	<b>344,835</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 226,759</b>	<b>\$ 177,347</b>	<b>\$ 225,851</b>	<b>\$ (511,174)</b>

See independent auditors' report and note to required supplementary information.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE

GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 666,446	\$ 1,468,657	\$ 88,648	\$ (1,380,009)
TOTAL REVENUES	666,446	1,468,657	88,648	(1,380,009)
EXPENDITURES:				
Current:				
Public safety:				
Professional services	666,446	1,382,157	51,896	1,330,261
TOTAL EXPENDITURES	666,446	1,382,157	51,896	1,330,261
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	86,500	36,752	(49,748)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(88,148)	(88,148)	(88,148)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (88,148)</u>	<u>\$ (1,648)</u>	<u>\$ (51,396)</u>	<u>\$ (49,748)</u>

See independent auditors' report and note to required supplementary information.

INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

1. BUDGETARY REPORTING:

The Agency adopted an annual budget prepared on the modified accrual basis for the General Fund, the Grants Special Revenue Fund and the Replacement Capital Projects Fund. The legal level of control is established at the fund level. Appropriations may be transferred between accounts during the course of the year at the direction of the Agency Treasurer. Increasing total fund appropriations requires a 2/3 majority approval of the Agency's Board. Increasing total fund appropriations and transfers between funds requires approval by the Agency Board unless explicitly authorized in the budget policy.

## **SUPPLEMENTARY INFORMATION**



INTEGRATED LAW AND JUSTICE AGENCY FOR ORANGE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REPLACEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ 18,740	\$ 18,740	\$ 21,716	\$ 2,976
Other income	-	-	6,691	6,691
Contributions from member agencies	312,113	312,113	312,112	(1)
<b>TOTAL REVENUES</b>	<b>330,853</b>	<b>330,853</b>	<b>340,519</b>	<b>9,666</b>
EXPENDITURES:				
Current:				
Public safety:				
Professional services	475,000	475,000	207,439	267,561
<b>TOTAL EXPENDITURES</b>	<b>475,000</b>	<b>475,000</b>	<b>207,439</b>	<b>267,561</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(144,147)</b>	<b>(144,147)</b>	<b>133,080</b>	<b>277,227</b>
OTHER FINANCING SOURCES:				
Transfers in	-	-	237,464	237,464
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>237,464</b>	<b>237,464</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(144,147)</b>	<b>(144,147)</b>	<b>370,544</b>	<b>514,691</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>1,201,872</b>	<b>1,201,872</b>	<b>1,201,872</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,057,725</b>	<b>\$ 1,057,725</b>	<b>\$ 1,572,416</b>	<b>\$ 514,691</b>

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Integrated Law and Justice  
Agency for Orange County  
Newport Beach, California

We have audited the financial statements of the governmental activities and each major fund of the Integrated Law and Justice Agency for Orange County (the Agency), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Integrated Law and Justice Agency for Orange County are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Integrated Law and Justice Agency for Orange County Directors and management of the Integrated Law and Justice Agency for Orange County and is not intended to be and should not be used by anyone other than these specific parties.

*White Nelson Rich Evans LLP*

Irvine, California  
February 22, 2012